

COPY

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF OHIO VALLEY GAS, INC.)
FOR (1) AUTHORITY TO INCREASE ITS)
RATES AND CHARGES FOR GAS UTILITY)
SERVICE; (2) APPROVAL OF NEW)
SCHEDULES OF RATES AND CHARGES)
AND CHANGES TO ITS GENERAL RULES)
AND REGULATIONS APPLICABLE TO GAS)
UTILITY SERVICE, INCLUDING)
INCREASES IN CERTAIN NON-RECURRING)
CHARGES; (3) AUTHORITY TO IMPLEMENT)
A NORMAL TEMPERATURE ADJUSTMENT)
MECHANISM AND DEFER THE NORMAL)
TEMPERATURE ADJUSTMENT MARGINS)
FOR FUTURE RECOVERY OR REFUND;)
(4) AUTHORITY TO IMPLEMENT A PIPELINE)
SAFETY COMPLIANCE COST TRACKING)
MECHANISM AND DEFERRAL)
ACCOUNTING OF SUCH COSTS UNTIL THE)
EFFECTIVE DATE OF THE TRACKING)
MECHANISM; (5) APPROVAL OF NEW)
DEPRECIATION RATES; AND (6) APPROVAL)
PURSUANT TO I.C. 8-1-2.5 OF SUCH)
ALTERNATIVE REGULATORY PLAN OR)
PLANS AS MAY BE REASONABLE,)
NECESSARY AND APPLICABLE TO SUCH)
AUTHORITY, APPROVALS AND DEFERRALS)

FILED

AUG 20 2007

INDIANA UTILITY
REGULATORY COMMISSION

CAUSE NO. 43208

STIPULATION AND SETTLEMENT AGREEMENT

This Stipulation and Settlement Agreement ("Settlement Agreement") is entered into by the Indiana Office of Utility Consumer Counselor ("OUCC") and Ohio Valley Gas, Inc. ("OVGI") (collectively, the "Parties"). In the interest of efficiency and in order to consider a number of issues raised in OVGI's and the OUCC's testimony, the Parties have devoted significant time to the review of data and discussion of issues, and have succeeded in reaching an agreement on all issues in this proceeding, and therefore stipulate and agree to the terms and conditions set forth below.

In this proceeding, the Settlement Agreement follows the initial filings of OVGI's case-in-chief and the OUCC's filing of testimony in response to OVGI's case. Those filings have framed the discussions between the Parties and formed the basis for the Parties' agreement on the terms reflected in the Settlement Agreement.

Both Parties have agreed to certain terms and conditions to which each may not have otherwise agreed but for the overall result produced by this Settlement Agreement. As set forth below and in the attached exhibits, the Parties have negotiated terms that resolve all issues related to the revenue requirement and rate design. With a few exceptions the agreed upon adjustments to the test year proposed in this case either reflect the testimonial positions of OVGI or the testimonial positions of the OUCC, and are thus founded upon documented positions that are recorded in this proceeding. The terms of the Settlement Agreement are as follows:

1. **Return on Equity.** OVGI's weighted cost of capital shall be calculated assuming a return of 9.95% on shareholder's equity. While this return is less than that requested by OVGI in its prefiled case-in-chief, and is greater than the OUCC recommended in its responsive testimony, it is within the range of return on equity supported by witnesses in this Cause. The Parties agree to a capital structure and cost of capital for purposes of this settlement as shown in Exhibit SA-1, Schedule 8, attached hereto and incorporated herein by reference.

2. **Authorized Return.** The Parties agree, for the purposes of this Settlement Agreement, that OVGI is authorized to earn a return of 8.6% on its original cost rate base of \$2,318,287 as set forth in Exhibit SA-1, Schedule 4. The Parties agree solely for the purposes of settlement that this represents a fair return on the fair value of OVGI's investment in used and useful property, plant and equipment.

3. **Depreciation Rates.** OVGI's current composite depreciation rates shall remain in effect; except for the depreciation rate applicable to account 391 (office furniture and equipment) excluding office furniture included therein, and to account 397 (communications equipment) shall be 10%, as shown on Exhibit SA-1, Schedule 6, adjustment 5. Petitioner also agreed that in the future it would initiate discussions with the OUCC and Commission Staff at least sixty (60) days prior to proposing changes to its depreciation rates.

4. **Revenue and Expense Adjustments.** All other agreed upon revenue and expense adjustments differing from OVGI's case in chief are also set forth in Exhibit SA-1, Schedules 6 and 7. All issues related to the Parties' respective pro forma adjustments have been resolved in this Settlement Agreement. These adjustments are explained further in the testimony offered in support of this settlement.

5. **Normal Temperature Adjustment ("NTA") Mechanism.** OVGI requested an NTA mechanism in its petition and prefiled testimony in support of the mechanism. The OUCC's prefiled testimony did not object to the proposed mechanism, and the Parties have agreed to the NTA mechanism as proposed by OVGI.

6. **Pipeline Safety Act ("PSA") Cost Recovery Tracker.** OVGI requested a PSA cost recovery tracker, and the deferral for recovery of such PSA costs until the tracker is implemented, in its petition and prefiled testimony in support of the cost deferral and tracker. The OUCC's prefiled testimony did not object to the proposed deferral and tracker. OVGI was authorized to begin deferral of such PSA costs during the pendency of this proceeding in the pre-hearing conference Order dated March 14, 2007. The Parties agree that OVGI should continue to be authorized to defer the reasonable costs of complying with the federal Pipeline Safety Act of 2002 for recovery through the PSA tracker. The deferred accounting and PSA tracker agreed

to herein are modeled after a similar PSA tracker approved for Vectren (i.e. Indiana Gas and SIGECO).

7. **Revenue Requirement.** The Parties agree OVGI's adjusted test year total operating revenues are \$7,147,334. OVGI shall be authorized to increase its base rates and charges ("Rates") for gas utility service to produce additional annual revenues of \$633,883, representing an increase of approximately 8.91% in revenues from Rates. Combined with an authorized increase of \$5,179 in miscellaneous operating revenues, total operating revenues would increase \$639,062 representing an overall increase in those operating revenues adjusted of \$8.97%. The increase is calculated to produce net operating income of \$199,373 and total operating revenues of \$7,786,396.

8. **Tariff.** The proposed rates and charges attached hereto as Exhibit KAH-SA1 shall be approved, authorized and accepted for filing by the Commission to be effective upon its approval by the Commission. The rates and charges shall replace OVGI's rates and charges currently on file with the Commission.

The Parties agree that the cost-of-service study prepared by Heid Rate and Regulatory Services, and included in OVGI's late-filed case-in-chief testimony, should be used by OVGI to establish the new schedules of rates and charges implementing the increases in operating revenues.

The Parties agree to a fixed monthly Facilities Charge for Firm Small Volume Sales Service customers of \$14.50. This agreement is less than OVGI requested in its case-in-chief, but greater than that recommended by the OUCC. However, both Parties agree that this is a reasonable monthly charge. The Parties agree to the fixed monthly Facilities Charges proposed by OVGI for the remaining rate schedules.

OVGI proposed numerous minor revisions to the non-rate provisions of its rate schedules and Rules and Regulations, as described in the direct testimonies of Ronald L. Loyd and Kerry A. Heid. The OUCC's direct testimony did not object to these revisions, and the Parties agree that all such revisions are reasonable and should be approved.

9. **Request for Prompt Approval by the Commission.** The Parties acknowledge that a significant motivation for OVGI to enter into this Settlement Agreement is the expectation that an order will be issued promptly by the Commission authorizing increases in its rates. The Parties have spent significant time reviewing the respective cases-in-chief and negotiating a settlement in an effort to eliminate time-consuming and costly litigation. OVGI has agreed to accept a lower rate of return on shareholders' equity and other adjustments to avoid litigation to ensure the new rates are in effect for the upcoming winter heating season. The resulting settlement has reduced OVGI's filed request for rate increases. Under these circumstances, the Parties ask that their request for approval of this settlement be promptly considered by the Commission.


10. **Sufficient Evidence to Support Settlement Agreement.** The Parties submit to the Commission that OVGI's prefiled case-in-chief, together with the OUCC's case-in-chief and the representations made by this Settlement Agreement and testimony in support thereof, constitute substantial evidence sufficient to support this Settlement Agreement and all its terms and conditions, and provide an adequate evidentiary basis upon which the Commission may make findings of fact and conclusions of law necessary for the issuance of an order adopting and approving this Settlement Agreement.

11. **Stipulation, Effect, Scope and Approval.** The Parties further acknowledge and agree that (i) this stipulation is conditioned upon and subject to its acceptance and approval by

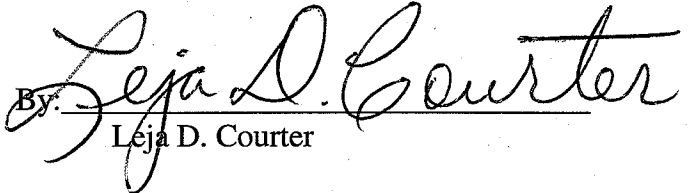
the Commission in its entirety without any change or condition that is unacceptable to either Party. Each term of the stipulation is in consideration and support of each and every other term; (ii) the stipulation is a result of negotiation in the settlement process and neither the making of the stipulation nor any of its provisions shall constitute an admission or waiver by any Party in any other proceeding. The stipulation shall not be used as a precedent in any other proceeding or for any other purposes except to the extent provided for herein or to the extent necessary to implement or enforce its terms; (iii) the evidence to be submitted in support of the stipulation constitutes substantial evidence sufficient to support the Settlement Agreement and provides an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for approval of the Settlement Agreement, (iv) the communications and discussions of materials produced and exchanged during negotiation of the Settlement Agreement relate to the offers of settlement and shall be privileged and confidential; and (v) the undersigned represent and agree that they are fully authorized to execute the Settlement Agreement on behalf of their designated clients who will be bound thereby.

ACCEPTED AND AGREED this 20th day of August, 2007.

OHIO VALLEY GAS CORPORATION

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INDIANA OFFICE OF UTILITY
CONSUMER COUNSELOR

By: 
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OHIO VALLEY GAS, INC.
CAUSE NO. 43208

Comparison of Calculation of
Revenue Requirement

Line No.	Description	Petitioner's Filing	Settlement Agreement	Sch Ref	Change
1	Rate Base	\$2,318,288	\$2,318,287	4	(\$1)
2	Times: Rate Of Return	10.08%	8.60%	8	-1.48%
3	Net Operating Income	233,683	199,373		(34,311)
4	Less: Adjusted Net Operating Income	(181,189)	(180,242)	5	947
5	Increase In Net Operating Income	414,872	379,615		(35,258)
6	Times: Revenue Conversion Factor	1.6812	1.6834	1	0.0022
7	Recommended Revenue Increase	\$697,482	\$639,062		(\$58,420)
8	Overall Percentage Increase (Decrease)	9.79%	8.97%		-0.82%
9	Revenue Increase on Gas Sales and Transportation	\$692,303	\$633,883		(\$58,420)
10	Percentage on Gas Sales & Transportation	9.73%	8.91%		-0.82%
11	Revenue Increase on Miscellaneous Operating Revenues	\$5,179	\$5,179		\$0
12	Percentage on Misc. Operating Revenue	53.18%	53.18%		0.00%

OHIO VALLEY GAS, INC.
CAUSE NO. 43208

Comparison of Income Statement Adjustments
Test Year Ending June 30, 2006

Line No.	Adjustment	Petitioner's Filing	Settlement Agreement	Sch Ref	Change
1	Operating Revenues:				
2	Gas Sales	\$776,470	\$776,470		\$0
3	Forfeited Discounts	0	0		0
4	Miscellaneous Operating Revenues	0	0		0
5	Transportation Revenues	0	0		0
6	Total Operating Revenues	776,470	776,470		0
7	Operating Expenses:				
8	Purchased Gas	805,113	805,113		0
9	Other Operation & Maintenance:				
10	Annualized Payroll	16,404	38,606	6-1	22,202
11	Payroll Taxes	5,653	7,090	6-2	1,437
12	Liability Insurance	(3,112)	(3,112)		0
13	Postage	(842)	337	6-3	1,179
14	Rate Case Expenses	3,685	3,685		0
15	Group Insurance	(38,789)	(44,041)	6-4	(5,252)
16	Scholarships	4,169	4,169		0
17	Workers Compensation	2,816	2,816		0
18	Public Utility Fee	1,218	1,218		0
19	Taxes - General				
20	Utility Receipts Tax	10,871	10,591	6-6	(280)
21	Property Tax	(3,841)	(3,841)		0
22	Taxes - Income - State	(3,083)	(11,274)	6-7	(8,191)
23	Taxes - Income - Federal	(12,759)	(52,557)	6-7	(39,798)
24	Provision for Deferred Fed. Inc. Tax	0	28,067	6-8	28,067
25	Depreciation				
26	Adj. for Plant Additions	2,485	2,485		0
27	Depr. Rate Change	11,581	11,271	6-5	(310)
28	Total Operating Expense Adjustments	801,569	800,623		(946)
29	Total Net Operating Income Adjustments	(\$25,099)	(\$24,153)		\$946

OHIO VALLEY GAS, INC.
CAUSE NO. 43208

Comparison of Revenue Conversion Factor

Line No.	Description	Petitioner's Filing	Settlement Agreement
1	Gross Revenue Change	100.0000%	100.0000%
2	Less: IURC Fee 2007 (.001062098)	0.1062%	0.1062%
3	Subtotal	99.8938%	100.0000%
4	Less: Utility Gross Receipts Tax (at 1.4%)	1.3985%	1.4000%
5	Subtotal	98.4953%	99.8938%
6	Less: State Adj. Gross Inc. Tax (at 8.5%)	8.3721%	8.4910%
7	Subtotal	90.1232%	90.0028%
8	Less: Federal Income Tax (at 34%)	30.6419%	30.6010%
9	Change In Net Operating Income	59.4813%	59.4019%
10	Revenue Conversion Factor	1.6812	1.6834
11	<u>Formula Notes:</u>		
12	Line 5 equals (100% minus Line 2)		
13	Line 7 equals (Line 5 minus Line 6 minus Line 4)		

OHIO VALLEY GAS, INC.
CAUSE NO. 43208

Line
No.

Balance Sheet as of September 30, 2006

ASSETS

1	Utility Plant:	
2	Utility Plant In Service	\$7,241,702
3	Less: Accumulated Depreciation	<u>(5,035,974)</u>
4	Net Utility Plant In Service	2,205,728
5	Construction Work In Progress	<u>103,019</u>
6	Total Utility Plant	<u>2,308,747</u>
7	Current and Accrued Assets:	
8	Cash	477,163
9	Working Funds	1,450
10	Accounts Receivable	17,900
11	Other Accounts Receivable	184
12	Accumulated Provision for Uncollected Accounts	(22,310)
13	Accounts Receivable from Associated Companies	2,419,968
14	Fuel Stock	562
15	Plant Materials and Operating Supplies	154,961
16	Stores Expense	22,556
17	Accrued Utility Revenue	<u>70,948</u>
18	Total Current Assets	<u>3,143,382</u>
19	Miscellaneous Deferred Debits:	<u>0</u>
20	Total Assets	<u><u>\$5,452,129</u></u>

OHIO VALLEY GAS, INC.
CAUSE NO. 43208

Line
No.

Balance Sheet as of September 30, 2006

LIABILITIES AND STOCKHOLDERS EQUITY

1	Stockholders Equity:	
2	Common Stock	\$4,000,000
3	Paid In Capital	0
4	Retained Earnings	<u>346,363</u>
5	Total Stockholders Equity	<u>4,346,363</u>
6	Long Term Debt	<u>0</u>
7	Current & Accrued Liabilities:	
8	Accounts Payable	441,415
9	Accounts Payable to Associated Companies	124,882
10	Customer Deposits	458,511
11	Accrued Taxes	(248,340)
12	Accrued Interest	149,261
13	Tax Collections Payable	9,077
14	Miscellaneous Current & Accrued Liabilities	<u>49,728</u>
15	Total Current & Accrued Liabilities	<u>984,534</u>
16	Deferred Credits:	
17	Customer Advances for Construction	27,298
18	Other Deferred Credits	<u>(359,403)</u>
19	Total Deferred Credits	<u>(332,105)</u>
20	Contributions In Aid of Construction:	<u>116,329</u>
21	Accumulated Deferred Federal Income Taxes:	<u>337,006</u>
22	Total Liabilities and Stockholders Equity	<u><u>\$5,452,129</u></u>

OHIO VALLEY GAS, INC.
CAUSE NO. 43208

Line
No.

Income Statement For The Twelve Months Ended June 30, 2006

1	<u>Operating Revenues</u>	
2	Gas Sales	\$6,323,801
3	Forfeited Discounts	26,054
4	Miscellaneous Operating Revenue	9,739
5	Transportation Revenues	<u>11,270</u>
6	Total Operating Revenues	<u>6,370,864</u>
7	<u>Operating Expenses</u>	
8	Purchased Gas	4,851,603
9	Transmission	47,189
10	Distribution	471,308
11	Customer Accounting	275,139
12	Administrative and General	541,421
13	Depreciation	202,609
14	Taxes - General	226,481
15	Taxes - Income - State	(8,162)
16	Taxes - Income - Federal	(52,568)
17	Provision for Deferred Federal Income Taxes	<u>(28,067)</u>
18	Total Operating Expenses	6,526,953
19	Net Operating Income	<u>(156,089)</u>
20	<u>Other Income and Deductions</u>	
21	Other Income - Net	25,239
22	Other Interest	(27,611)
23	Miscellaneous Income Deductions	(3,898)
24	Allowance for Funds Used During Construction	<u>2,637</u>
25	Total Other Income and Deductions	<u>(3,633)</u>
26	Net Income	<u><u>(\$159,722)</u></u>

OHIO VALLEY GAS, INC.
CAUSE NO. 43208

Line
No.

Original Cost Rate Base at September 30, 2006

1	Utility Plant In Service at 9/30/06	\$7,317,964
2	Less: Contributions In Aid of Construction	(116,329)
3	Less: Customer Advances for Construction	(27,298)
4	Less: Accumulated Depreciation	<u>(5,028,030)</u>
5	Net Utility Plant In Service	2,146,307
6	Add:	
7	Stored Gas	0
8	Working Capital (Lead/Lag Study)	16,409
9	Materials and Supplies Inventory (13 month average 9/05 - 9/06)	<u>155,571</u>
10	Total Original Cost Rate Base	<u><u>\$2,318,287</u></u>

OHIO VALLEY GAS, INC.
CAUSE NO. 43208

Pro Forma Net Operating Income Statement

Line No.	(A) Description	(B) Twelve Mos. Ending 6/30/2006	(C) Adjustments	(D) Sch. Ref.	(E) Pro Forma Present Rates	(F) Adjustments	(G) Sch. Ref.	(H) Pro Forma Proposed Rates
1	<u>Operating Revenues</u>							
2	Gas Sales	\$6,323,801	\$776,470	Pet.	\$7,100,271	\$632,879	7-1	\$7,733,150
3	Forfeited Discounts	26,054			26,054			26,054
4	Miscellaneous Operating Revenues	9,739			9,739	5,179	Pet.	14,918
5	Transportation Revenues	11,270			11,270	1,005	7-1	12,275
6	Total Operating Revenues	6,370,864	776,470		7,147,334	639,062		7,786,396
7	<u>Operating Expenses</u>							
8	Purchased Gas	4,851,603	805,113	Pet.	5,656,716			5,656,716
9	Other Operation & Maintenance:	1,335,057			1,345,825			1,346,504
10	Annualized Payroll		38,606	6-1				
11	Payroll Taxes		7,090	6-2				
12	Liability Insurance		(3,112)	Pet.				
13	Postage		337	6-3				
14	Rate Case Expenses		3,685	Pet.				
15	Group Insurance		(44,041)	6-4				
16	Scholarships		4,169	Pet.				
17	Workers Compensation		2,816	Pet.				
18	Public Utility Fee		1,218	Pet.		679	7-2	
19	Taxes - General	226,481			233,231			242,178
20	Utility Receipts Tax		10,591	6-6		8,947	7-3	
21	Property Tax		(3,841)	Pet.				
22	Taxes - Income - State	(8,162)	(11,274)	6-7	(19,436)	54,263	7-4	34,827
23	Taxes - Income - Federal	(52,568)	(52,557)	6-7	(105,125)	195,559	7-5	90,434
24	Provision for Deferred Inc. Tax	(28,067)	28,067	6-8	0			0
25	Depreciation	202,609			216,365			216,365
26	Adj. for Plant Additions		2,485	Pet.				
27	Depr. Rate Change		11,271	6-5				
28	Total Operating Expenses	6,526,953	800,623		7,327,576	259,447		7,587,023
29	Net Operating Income	<u>(\$156,089)</u>	<u>(\$24,153)</u>		<u>(\$180,242)</u>	<u>\$379,615</u>		<u>\$199,373</u>

OHIO VALLEY GAS, INC.
CAUSE NO. 43208

Line
No.

Adjustments To Utility Operating Income Based on Present Rates
Differing From Petitioner's Filing

(1)

1	Payroll	
2	Payroll Adjustment per Petitioner's SMK-3 Page 6	\$16,573
3	Less: Exclusion of Allocation to Sales Promotion (per Petitioner)	<u>(169)</u>
4	Petitioner's Net Payroll Adjustment	16,404
5	OUC's Adjustment for Retiree per Exhibit GAF-1	<u>(3,374)</u>
6	Settlement Adjustment for Petitioner's May 2007 Wage Adj	<u>25,576</u>
7	Adjustment - Increase/(Decrease)	<u>\$38,606</u>

(2)

8	Payroll Taxes	
9	Payroll Tax Adjustment per Petitioner's SMK-3 Page 7	\$5,653
10	OUC's Adjustment for Retiree per Exhibit GAF-1	<u>(309)</u>
11	Settlement Adjustment for Petitioner's May 2007 Wage Adj	<u>1,746</u>
12	Adjustment - Increase/(Decrease)	<u>\$7,090</u>

(3)

13	Postage	
14	Postage Adjustment per Petitioner's SMK-3 Page 9	<u>(\$842)</u>
15	Settlement Adjustment to Reflect May 2007 US Postal Rate Increase	<u>\$1,179</u>
16	Adjustment - Increase/(Decrease)	<u>\$337</u>

(4)

17	Group Insurance Adjustment	
18	Group Insurance Adjustment per Petitioner's SMK-3 Page 11	<u>(\$38,789)</u>
19	Incremental OUC Adjustment per Exhibit GAF-2	<u>(5,252)</u>
20	Adjustment - Increase/(Decrease)	<u>(\$44,041)</u>

(5)

21	Depreciation	
22	Office Furniture & Equipment (Acct 391) per Petitioner's SMK-3 Page 14	\$30,599
23	Communication Equipment (Acct 397) per Petitioner's SMK-3 Page 14	<u>134,843</u>
24	Total Office Furniture & Equipment and Communications Equipment at 6/30/06	<u>\$165,442</u>
25	Depreciation Expense at 10.0%	\$16,544
26	Less: Depreciation Expense at 3%	<u>(4,963)</u>
27	Depreciation Expense Adjustment per Petitioner's SMK-3, Page 14A	<u>\$11,581</u>
28	Settlement Adj Excluding 10% Deprec on Office Furniture included in Acct 391	<u>(310)</u>
29	Adjustment - Increase/(Decrease)	<u>\$11,271</u>

OHIO VALLEY GAS, INC.
CAUSE NO. 43208

Line
No.

Adjustments To Utility Operating Income Based on Present Rates
Differing From Petitioner's Filing

(6)

1	Indiana Utility Gross Receipts Tax	
2	Gross Receipts	\$7,147,334
3	Less: Exemption	(1,000)
4	Less: Pro Forma Bad Debts	(5,469)
5	Utility Gross Receipts Subject to Gross Receipts Tax	7,140,865
6	Utility Gross Receipts Tax Rate	1.40%
7	Pro Forma Utility Gross Receipts Tax at Present Rates	99,972
8	Less: Utility Receipts Tax Per Books at 6/30/06	(89,381)
9	Utility Gross Receipts Tax Adjustment - Increase/(Decrease)	<u>10,591</u>

(7)

10	State and Federal Income Tax		
		<u>Federal</u>	<u>State</u>
		<u>Income Tax</u>	<u>Income Tax</u>
11	Pro Forma Present Rate Operating Revenue	\$7,147,334	\$7,147,334
12	Less: Operations and Maintenance	(7,002,541)	(7,002,541)
13	Depreciation	(216,365)	(216,365)
14	Taxes Other Than Income	(233,231)	(133,259)
15	State Income Tax	19,436	
16	Interest Expense	(28,872)	(28,872)
17	Add Back:		
18	Non-Deductible Meals Expense	<u>5,047</u>	<u>5,047</u>
19	Taxable Income	(309,193)	(228,656)
20	Multiply by: Federal Income Tax Rate	<u>34.00%</u>	
21	Multiply by: State Adjusted Gross Income Tax Rate		<u>8.50%</u>
22	Pro Forma State Income Tax Expense		(19,436)
23	Pro Forma Federal Income Tax Expense	(105,125)	
24	Less: Test Year Expense	<u>(52,568)</u>	<u>(8,162)</u>
25	Adjustment - Increase/(Decrease)	<u>(\$52,557)</u>	<u>(\$11,274)</u>

(8)

26	Deferred Income Taxes	
27	Deferred Income Tax Adjust per Petitioner's SMK-3 Pages 16 & 17	\$0
28	OUC's Adjustment per Exhibit MHG-1, Schedule 5	<u>28,067</u>
29	Adjustment Increase/ (Decrease)	<u>\$28,067</u>

OHIO VALLEY GAS, INC.
CAUSE NO. 43208

Line
No.

Pro Forma Adjustments Based on Proposed Rates
Differing From Petitioner's Filing

(1)

1	<u>Proposed Rate Increase</u>	
2	Pro Forma Present Rate Sales Revenues	\$7,100,271
3	Times: Rate Increase	<u>8.91%</u>
4	Adjustment - Increase	<u>\$632,879</u>
5	Pro Forma Present Rate Transportation Revenues	\$11,270
6	Times: Rate Increase	<u>8.91%</u>
7	Adjustment - Increase	<u>\$1,005</u>

(2)

8	<u>Proposed IURC Fee</u>	
9	Proposed Rate Increase	\$639,062
10	Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>0.1062%</u>
11	Adjustment - Increase	<u>\$679</u>

(3)

12	<u>Proposed Utility Gross Receipts Tax</u>	
13	Proposed Rate Increase	\$639,062
14	Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>1.40%</u>
15	Adjustment - Increase	<u>\$8,947</u>

(4)

16	<u>Proposed Adjusted Gross Income Tax</u>	
17	Proposed Rate Increase	\$639,062
18	Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>8.49%</u>
19	Adjustment - Increase	<u>\$54,263</u>

(5)

20	<u>Proposed Federal Income Tax</u>	
21	Proposed Rate Increase	\$639,062
22	Times: Current Effective Rate (from Revenue Conversion Factor - Sch. 1)	<u>30.60%</u>
23	Adjustment - Increase	<u>\$195,559</u>

OHIO VALLEY GAS, INC.
CAUSE NO. 43208

Capital Structure Per Settlement Agreement
as of September 30, 2006

Line No.	Description	Amount	Percent of Total	Cost	Weighted Cost
1	Common Equity	\$4,346,363	82.14%	9.950%	8.17%
2	Long Term Debt	0	0.00%	0.000%	0.00%
3	Customer Deposits	458,511	8.67%	5.000%	0.43%
4	Accrued Interest	149,261	2.82%	0.000%	0.00%
5	Deferred Taxes	337,006	6.37%	0.000%	0.00%
6	Total	<u>\$5,291,141</u>	<u>100.00%</u>		<u>8.60%</u>

Capital Structure Per Petitioner's Filing
as of September 30, 2006

	Description	Amount	Percent of Total	Cost	Weighted Cost
7	Common Equity	\$4,346,363	82.14%	11.750%	9.65%
8	Long Term Debt	0	0.00%	0.000%	0.00%
9	Customer Deposits	458,511	8.67%	5.000%	0.43%
10	Accrued Interest	149,261	2.82%	0.000%	0.00%
11	Deferred Taxes	337,006	6.37%	0.000%	0.00%
12	Total	<u>\$5,291,141</u>	<u>100.00%</u>		<u>10.08%</u>

OHIO VALLEY GAS, INC.
IURC CAUSE NO. 43208
COST OF SERVICE STUDY

COMPARISON OF REVENUES AT PRESENT AND SETTLEMENT RATES

DATA: 12 MONTHS ENDED JUNE 30, 2006
TYPE OF FILING: SETTLEMENT
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-SA1
SCHEDULE 1
PAGE 1 OF 2

Base Rate Cost of Gas \$1.0862

DESCRIPTION	Number of Bills	Billing Quantities (therms)	Present Rates (\$/therm)	Annual GCA (\$/therm)	Effective Present Rates (\$/therm)	Revenue at Present Rates	Proposed Rates (\$/therm)	Revenue at Proposed Rates	Increase in Revenues	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
<u>RATE 1S-SMALL GENERAL SALES SERVICE</u>										
Facilities Charge	54,376		\$13.00		\$13.00	\$706,888	\$14.50	\$788,452	\$81,564	
All Therms		4,742,527	\$0.7830	\$0.4738	\$1.2568	\$5,960,408	\$1.3663	\$6,479,715	\$519,307	
Total Therms and Revenues	54,376	4,742,527				\$6,667,296		\$7,268,167	\$600,871	
						1.001162		1.001162		
						\$6,675,040		\$7,276,609	\$601,569	9.01%
<u>RATE 2S-MEDIUM VOLUME SALES SERVICE</u>										
Facilities Charge	0		\$441.54		\$441.54	\$0	\$550.00	\$0	\$0	
Commodity Charge		0	\$0.6312	\$0.4738	\$1.1050	\$0	\$1.2121	\$0	\$0	
Demand Charge		0	\$0.2071		\$0.2071	\$0	\$0.0000	\$0	\$0	
Total Therms and Revenues	0	0				\$0		\$0	\$0	
						1.001162		1.001162		
						\$0		\$0	\$0	0.00%
<u>RATE 3IS-INTERRUPTIBLE SALES SERVICE</u>										
Facilities Charge	12		\$395.00		\$395.00	\$4,740	\$475.00	\$5,700	\$960	
Commodity Charge		293,870	\$0.5849	\$0.4738	\$1.0587	\$311,120	\$1.0990	\$322,963	\$11,843	
Total Therms and Revenues	12	293,870				\$315,860		\$328,663	\$12,803	
						1.001162		1.001162		
						\$316,227		\$329,045	\$12,818	4.05%
<u>RATE 4S-GRAIN DRYING SALES SERVICE</u>										
Facilities Charge-Group 1	72		\$31.25		\$31.25	\$2,250	\$40.00	\$2,880	\$630	
Facilities Charge-Group 2	72		\$58.33		\$58.33	\$4,200	\$70.00	\$5,040	\$840	
Commodity Charge		97,779	\$0.5736	\$0.4738	\$1.0474	\$102,414	\$1.1663	\$114,040	\$11,626	
Total Therms and Revenues	144	97,779				\$108,864		\$121,960	\$13,096	
						1.001162		1.001162		
						\$108,990		\$122,102	\$13,111	12.03%

**OHIO VALLEY GAS, INC.
IURC CAUSE NO. 43208
COST OF SERVICE STUDY**

COMPARISON OF REVENUES AT PRESENT AND SETTLEMENT RATES

**DATA: 12 MONTHS ENDED JUNE 30, 2006
TYPE OF FILING: SETTLEMENT
WITNESS: HEID**

**PETITIONER'S EXHIBIT KAH-SA1
SCHEDULE 1
PAGE 2 OF 2**

<u>DESCRIPTION</u>	<u>Number of Bills</u>	<u>Billing Quantities (therms)</u>	<u>Present Rates (\$/therm)</u>	<u>Annual GCA (\$/therm)</u>	<u>Effective Present Rates (\$/therm)</u>	<u>Revenue at Present Rates</u>	<u>Proposed Rates (\$/therm)</u>	<u>Revenue at Proposed Rates</u>	<u>Increase in Revenues</u>	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
<u>RATE 5T-LARGE VOLUME TRANSPORTATION SERVICE</u>										
Facilities Charge	0		\$895.00		\$895.00	\$0	\$1,300.00	\$0	\$0	
Commodity Charge		0	\$0.0300		\$0.0300	\$0	\$0.0431	\$0	\$0	
Total Therms and Revenues	0	0				\$0		\$0	\$0	
						1.001162		0.000000		
						\$0		\$0	\$0	0.00%
<u>RATE 6T-MEDIUM VOLUME TRANSPORTATION SERVICE</u>										
Facilities Charge	12		\$500.00		\$500.00	\$6,000	\$550.00	\$6,600	\$600	
Commodity Charge		117,100	\$0.0450		\$0.0450	\$5,270	\$0.0932	\$10,914	\$5,644	
Total Therms and Revenues	12	117,100				\$11,270		\$17,514	\$6,244	
						1.001162		1.001162		
						\$11,283		\$17,534	\$6,251	55.40%
<u>RATE 8T-PUBLIC SCHOOLS TRANSPORTATION SERVICE</u>										
Facilities Charge-Group 1 (Rate 1)	0		\$33.62		\$33.62	\$0	\$34.50	\$0	\$0	
Facilities Charge-Group 2 (Rate 1)	0		\$53.00		\$53.00	\$0	\$54.50	\$0	\$0	
Facilities Charge-Group 3 (Rate 3)	0		\$435.00		\$435.00	\$0	\$515.00	\$0	\$0	
Commodity Charge-Group		0	\$0.1706		\$0.1706	\$0	\$0.2801	\$0	\$0	
Total Therms and Revenues	0	0				\$0		\$0	\$0	0.00%
 TOTAL THERMS AND REVENUE	 54,544	 5,251,276				 \$7,111,541		 \$7,745,290	 \$633,749	 8.91%
 MISCELLANEOUS REVENUES						 \$35,793		 \$40,972	 \$5,179	
TOTAL REVENUES						7,147,334		\$7,786,262	\$638,928	8.94%

**OHIO VALLEY GAS, INC.
IURC CAUSE NO. 43208
TYPICAL BILL COMPARISON
RATE 1S-SMALL GENERAL SALES SERVICE**

**DATA: 12 MONTHS ENDED JUNE 30, 2006
TYPE OF FILING: SETTLEMENT
WITNESS: HEID**

**PETITIONER'S EXHIBIT KAH-SA2
SCHEDULE 1**

LINE NO.	LEVEL OF USAGE	CURRENT BILL	PROPOSED BILL	DOLLAR INCREASE (C - B)	PERCENT INCREASE (D / B)
	(A)	(B)	(C)	(D)	(E)
	(therms)	(\$)	(\$)	(\$)	(%)
1	0	\$13.00	\$14.50	\$1.50	11.54%
2	10	\$25.57	\$28.16	\$2.60	10.15%
3	20	\$38.14	\$41.83	\$3.69	9.68%
4	30	\$50.70	\$55.49	\$4.79	9.44%
5	40	\$63.27	\$69.15	\$5.88	9.29%
6	50	\$75.84	\$82.82	\$6.97	9.20%
7	100	\$138.68	\$151.13	\$12.45	8.98%
8	150	\$201.52	\$219.45	\$17.93	8.90%
9	200	\$264.36	\$287.76	\$23.40	8.85%
10	250	\$327.20	\$356.08	\$28.88	8.83%
11	300	\$390.04	\$424.39	\$34.35	8.81%
12	350	\$452.88	\$492.71	\$39.83	8.79%
13	400	\$515.72	\$561.02	\$45.30	8.78%
14	450	\$578.56	\$629.34	\$50.78	8.78%
15	500	\$641.40	\$697.65	\$56.25	8.77%
16	600	\$767.08	\$834.28	\$67.20	8.76%
17	700	\$892.76	\$970.91	\$78.15	8.75%
18	800	\$1,018.44	\$1,107.54	\$89.10	8.75%
19	900	\$1,144.12	\$1,244.17	\$100.05	8.75%
20	1,000	\$1,269.80	\$1,380.80	\$111.00	8.74%
21	1,200	\$1,521.16	\$1,654.06	\$132.90	8.74%
22	1,400	\$1,772.52	\$1,927.32	\$154.80	8.73%
23	1,600	\$2,023.88	\$2,200.58	\$176.70	8.73%
24	1,800	\$2,275.24	\$2,473.84	\$198.60	8.73%
25	2,000	\$2,526.60	\$2,747.10	\$220.50	8.73%
26	2,200	\$2,777.96	\$3,020.36	\$242.40	8.73%
27	2,400	\$3,029.32	\$3,293.62	\$264.30	8.73%
28	2,600	\$3,280.68	\$3,566.88	\$286.20	8.72%

OHIO VALLEY GAS, INC.
IURC CAUSE NO. 43208
COST OF SERVICE STUDY
COMPARISON OF PRESENT AND PROPOSED RATES
LARGE VOLUME (NON-RATE 1) CUSTOMERS

DATA: 12 MONTHS ENDED JUNE 30, 2006
TYPE OF FILING: SETTLEMENT
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-SA2
SCHEDULE 2

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Customer	Rate	Annual	Present	Proposed	Increase	
<u>Account</u>	<u>Schedule</u>	Usage	<u>Rate</u>	<u>Rate</u>	<u>Amount</u>	<u>Percent</u>
(therms)						
9-51-0040-1	Rate 3	293,870	\$315,860	\$329,563	\$13,703	4.34%
9-51-0191-0	Rate 6	117,100	\$11,270	\$17,514	\$6,244	55.41%